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The President's Daily Brief

7 July 1973

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~~*Top Secret*~~ 25X1

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THE PRESIDENT'S DAILY BRIEF

7 July 1973

PRINCIPAL DEVELOPMENTS

European financial leaders are growing increasingly alarmed by the dollar's decline, and pressure is building toward a new call for a conference of the major powers and another attempt to restructure the exchange rate system. *(Page 1)*

The Soviets are producing a new nuclear-powered attack submarine which may incorporate major changes in its sensors, weapons, or ship control systems. *(Page 3)*

Given favorable weather, the Soviet Union could reap a record grain harvest this year. It will nevertheless need substantial imports--perhaps as much as 15 million tons--to meet domestic and foreign requirements. *(Page 4)*

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Italian Prime Minister-designate Rumor has obtained the agreement of the Socialist Party to participate in a new center-left coalition. *(Page 5)*

Notes on East Germany - Berlin and on Iraq also appear on *Page 5*.

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INTERNATIONAL MONETARY DEVELOPMENTS

European financial leaders are taking an increasingly pessimistic view of the international monetary situation. The crisis on world money markets seems to be building up to a call for another conference of the major powers and another attempt to restructure the exchange rate system.

With the acceleration of the dollar's decline in Europe, Paris has raised the specter of possible European countermeasures. President Pompidou's economic and financial adviser told the US Embassy on July 5 that West European governments would be compelled to take protective action--for example, import surcharges--if the monetary situation was not stabilized. The adviser expected that European exchange markets would soon be closed if the dollar depreciation continued. He also noted, as Finance Minister Giscard D'Estaing later stated publicly, that the upcoming multilateral trade negotiations are threatened by the monetary problems. Finally, he reiterated the French view that Washington should intervene to support the dollar.

On July 2 German Finance Minister Schmidt expressed a somewhat different view of what the US should do in the present crisis. He emphasized that he would not particularly welcome US intervention to support the dollar if it involved the sale of marks obtained through swap arrangements; this would adversely affect the German anti-inflationary program. He also said there could be no Bundesbank support for the dollar because it would add to inflationary pressures in Germany. Instead, Schmidt suggested that Washington and European nations sell gold, although he did not mention a price. Schmidt expressed hopes that the revaluation of the mark would help stabilize the situation, but he emphasized that, rather than revalue again, he would advise Bonn to abandon the joint float band and let the mark float independently.

Swiss and Belgian officials have now joined the French in pressuring Washington to support the dollar. EC officials are reportedly studying contingency plans which focus on strengthened controls over the inflow of dollars, although such controls have continually proven inadequate in the past to deal with massive speculation.

(continued)

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The dollar again declined sharply against European currencies yesterday and--for the first time in several weeks--against the yen. Several major West German banks halted trading in dollars an hour ahead of time as a result of market uncertainties. Sterling, however, has declined against the dollar over the last several days, partly in response to rumors that it would be repegged at a lower rate.

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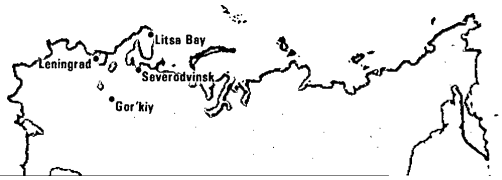

USSR: New Attack Submarine

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USSR

The Soviet Union is producing a new nuclear-powered attack submarine at the Gorkiy shipyard on the Volga River.

> *About 330 feet long, the new submarine is similar to but some 30 feet longer than the V-class attack submarine. The added length, in the forward half of the hull, suggests that the new ship may incorporate major changes in the sensors, weapons, or ship control systems, rather than any changes in the propulsion system.*

One of the new submarines has been built, and another is under construction. [redacted] 25X1

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The Gorkiy shipyard has also built a new transporter dock that is specially equipped to move these longer submarines through the inland waterway system to the White Sea--a development suggesting that construction of a number of these submarines is planned.

> *A shipyard in Leningrad continues to build the standard V-class--about two a year. The V-class has been principally used in antisubmarine operations in the Mediterranean and North Atlantic.*

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USSR

A record sowing of spring grains has raised the total grain area to its highest level since 1965.

> *So far the weather has been favorable for the development of both winter and spring grains. The spring grains, however, are now in a critical stage, requiring adequate rainfall and cool temperatures. If the weather continues favorable, the grain harvest could amount to 157 million metric tons of usable grain compared with 150 million in 1970, the previous high.*

So far this year, the Soviets have contracted to import about nine million tons of grain, including almost seven million from the US.

> *Nevertheless, they will need as much as six million more to meet domestic and foreign requirements, even if the harvest is a record high. Soviet grain buyers appear to be inactive at present, probably because of high world grain prices and US grain export controls. In addition, Moscow is probably waiting to see how the present crop develops.*

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NOTES

Nationalist China: [redacted] 25X1

[redacted] 25X1

Italy: The Socialist Party has agreed to participate in a new center-left coalition under Prime Minister-designate Rumor. The government program concentrates on economic matters such as tax reform and fighting inflation; decisions on more troublesome issues have been deferred. The government is given some flexibility in dealing with the Italian Communist Party by the agreement that proposals from opposition parties may be adopted if all members of the coalition approve. Rumor still faces the task of assigning the various ministerial and undersecretarial posts, an exercise which should be completed in the next several days.

East Germany - Berlin: East Germany has warned Western officials that it will severely restrict traffic into East Berlin during the World Youth Festival, which will be held between July 28 and August 5. Such restrictions would allow East Germany to control the Festival more thoroughly and assure that its anti-imperialistic flavor is not diluted. The restrictions, however, would be a violation of existing travel agreements, and the West Berlin Senat will probably appeal to Bonn--and possibly the allies--to protest.

Iraq: Saddam Husayn Tikriti, deputy chairman of the Revolutionary Command Council and leader of the civilian wing of the ruling socialist Baath Party, probably masterminded the conspiracy which led to the assassination of the country's Minister of Defense last weekend. The execution of the security chief who carried out the plot has just been announced; he was thought to be Tikriti's man and may have been set up as a scapegoat. The Defense Minister and Interior Minister--who was wounded and is reportedly under house arrest--supported President Bakr. Bakr is said to be in virtual seclusion, and Tikriti seems to have taken an important step in his continuing drive to take over the government.

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